

## Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 IGA-02 ABF-01 OMB-01 L-03

COME-00 XMB-02 FRB-03 CIAE-00 INR-07 NSAE-00 FS-01

SSM-03 /053 W

----- 072382

R 131400Z FEB 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 77

DEPT OF TREASURY

INFO RFC PARIS 207

AMCONSULATE ALEXANDRIA

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E.O. 11652: N/A

TAGS: EFIN, EG, US

SUBJECT: ISSUES RE USG DEPOSITS OF EGYPTIAN POUNDS

REF: (A) STATE 32510 (NOTAL), (B) CAIRO 1354 (NOTAL),  
(C) CAIRO 1284 (NOTAL), (D) CAIRO 1072

FOLLOWING RESPONSES ARE KEYED TO NUMBERED QUESTIONS IN REF A.

1. IT IS DIFFICULT TO DETERMINE WHERE AND AT WHAT LEVEL FORMAL GOE APPROVAL WOULD BE GIVEN. SINCE CHASE NATIONAL IS ONLY BANK IN EGYPT NOT WHOLLY-OWNED BY GOE, PROPOSED TRANSFER OF USG-OWNED CURRENCIES IS WITHOUT PRECEDENT, EVEN IF QUESTION OF INTEREST RATES AND BLOCKING ARRANGEMENTS ARE EXCLUDED. TRANSFERS TO EGYPTIAN BANKS HAVE BEEN RELATIVELY ROUTINE IN PAST, ALTHOUGH THERE WERE OCCASIONAL BUREAUCRATIC DELAYS, BUT IT SEEMS CLEAR THAT INTERESTED AGENCIES DO NOT CONSIDER CHASE TRANSFER AS ORDINARY MATTER. ACCORDING TO DEPUTY GOVERNOR OF CENTRAL BANK, AT LEAST MINFIN, MINECONCOOP AND GOVERNOR MAY HAVE A ROLE IN DISCUSSION/APPROVAL OF REQUEST, WHICH MIGHT EVEN HAVE TO GO TO CABINET FOR RESOLUTION.

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2. THERE MAY BE SOME DIFFICULTY IN OBTAINING APPROVAL PRIOR TO

ARRIVAL OF SECRETARY SIMON, GIVEN NATURE OF GOE CONCERNS AS REPORTED REFTELS B AND C, HOWEVER, IF DEPARTMENT WISHES, WE ARE PREPARED TO REQUEST TRANSFER, PRESENTING TO CENTRAL BANK LETTER FROM USDO LERCHBAUM DATED JANUARY 12 (REF D) AND FOLLOWING UP AS APPROPRIATE. AT TIMES OF PRESENTATION, WE WOULD STATE THAT INTEREST RATES AND RELATED QUESTIONS ARE BEING LEFT FOR LATER DISCUSSION. (SEE BELOW FOR RELATED CHANGES IN LETTER TO CHASE.) BY TIME SECRETARY SIMON ARRIVES, REQUEST WILL HAVE BEEN ACCEPTED, WHICH IS UNLIKELY, REJECTED OR LEFT WITHOUT ACTION. IN EITHER OF TWO LATTER CASES, WE BELIEVE ISSUE WOULD BE EMINENTLY SUITABLE FOR DISCUSSION DURING SECRETARY'S VISIT.

3. MOVING AHEAD ON TRANSFER ISSUE ALONE WOULD NOT, IN OUR VIEW, HAVE A SIGNIFICANT ADVERSE EFFECT ON EFFORTS TO OBTAIN SUBSEQUENT GOE AGREEMENT TO OTHER CHANGES WE SEEK. EXCEPTION MIGHT EXIST IN CASE OF CHASE NATIONAL UNDER TERM OF LETTER FROM USDO LERCHBAUM WHICH WE ARE HOLDING (REF D), AND WHICH STIPULATES ONE-HALF PERCENT INTEREST, IN SEPTTEL, WE ARE PROPOSING COURSE OF ACTION TO OFFSET THIS PROBLEM THROUGH CHANGING LANGUAGE OF LETTER.

4. EMBASSY REGRETS CONFUSION IN WASHINGTON ON INTEREST RATES AND PROFITS OBTAINED. FOR PURPOSES OF ILLUSTRATION, ASSUME LE 100 TRANSFERRED TO CHASE NATIONAL. LE 20 (20 PERCENT) MUST BE PLACED AS RESERVES IN CENTRAL BANK WITHOUT INTEREST. REMAINING LE 80 (80 PERCENT) IS HELD IN BLOCKED ACCOUNT AT ONE PERCENT NET (GROSS INTEREST IS NOT RELEVANT TO PROBLEM) RETURNING LE 0.8. CHASE, AT CURRENTLY APPLICABLE RATES, IS REQUIRED TO PAY US\$ 0.5 PERCENT ON TOTAL DEPOSIT INCLUDING NON-INTEREST BEARING RESERVES, I.E., LE 0.5. PROFIT REMAINING FOR CHASE IS THEREFORE LE 0.3 OR 0.3 PERCENT. KEY POINT, WHICH REFTEL INDICATES WAS PERHAPS NOT FULLY EXPLAINED IN PREVIOUS TELEGRAMS, IS THAT MONEY EARNED ON INTEREST-BEARING 80 PERCENT OF TOTAL US\$ ACCOUNT IS NET AFTER TAXES; EFFECTIVE RATE IS ONE PERCENT ON THAT PORTION ONLY. GROSS RATE OF 1.25 PERCENT HAS NO RELATIONSHIP TO INCOME RECEIVED.

5. PLEASE ADVISE WHETHER EMBASSY SHOULD INITIATE TRANSFER REQUEST.  
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EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE HOLDINGS, POUND (CURRENCY), BANK DEPOSITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 32510  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
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Margaret P. Grafeld  
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**Review Transfer Date:**  
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**Status:** NATIVE  
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**TAGS:** EFIN, EG, US  
**To:** STATE TRSY  
**Type:** TE  
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